

September 29, 1999

MARSHALL F. EMERY
ACTING VICE PRESIDENT, CORE BUSINESS MARKETING

SUBJECT: Audit Report - Corporate Call Management
(Audit Report Number DA-AR-99-003)

This report represents the results of our audit of the Corporate Call Management program. This report is the first of two reports we plan to issue. This report discusses whether resources were being used economically and effectively. We will determine if program objectives are achieved in a subsequent report.

We found that management had effectively managed their fiscal years (FY) 1999 and 2000 resources. However, because improvements in technology and changes in call mix there is a potential cost avoidance of \$962 million through FY 2007. Management agreed with our finding and recommendation. We recommended that the Vice President, Core Business Marketing, notify the Board of Governors of potential cost avoidance. Management's comments and our evaluation of these comments are included in the report.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Tracy A. LaPoint, Director, Developmental, at (703) 248-2167, or myself at (703) 248-2300.

Richard F. Chambers
Assistant Inspector General
for Performance

Attachment

cc: Allen R. Kane
Michele A. Denny
Larry Van Ness
Alan B. Kiel
John R. Gunnels

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EXECUTIVE SUMMARY

Introduction

In June 1998, the Board of Governors approved approximately \$256 million in investment funds for the deployment phase of Corporate Call Management. The purpose of the Corporate Call Management program was to establish a call-handling infrastructure through a national network of six National Service Centers. We conducted this audit to determine whether the Corporate Call Management resources were being used economically and efficiently. We will determine if program objectives are achieved in a subsequent report.

Results in Brief

We found that the Corporate Call Management had effectively managed their fiscal years (FY) 1999 and 2000 resources by reducing their operational budgets by \$53 million and \$82 million, respectively. Reductions were in response to the United States Postal Service (USPS) Management Challenge and were achieved by pursuing a slower implementation schedule and creating a less costly expansion strategy.

Calls placed to call centers are handled either by an agent or through automation. The program office estimates that at full implementation total call volume will exceed the Deployment Decision Analysis Report projection of 200 million calls by about 10 million calls. Agent-handled call volume projected for the deployment phase of the Corporate Call Management program was less than anticipated. Agent-handled call volume was only expected to reach 67 percent of the Deployment Decision Analysis Report projections after full deployment. In addition, technology has enabled the automation of many more calls, further reducing the number of agent-handled calls. About 37 percent or 78 million of the projected calls will be satisfied through automation. Calls handled through automation cost about 90 percent less than agent-handled calls.

During the course of the audit, the Corporate Call Management Program Office updated call volume projections to include both calls handled by agents and automation. Program costs were recalculated and identified as \$2.6 billion. As a result, there is a potential cost avoidance of \$962 million through FY 2007 (see Appendix A).

Summary of Recommendation	The Vice President, Core Business Marketing, should notify the Board of Governors of a potential cost avoidance of \$962 million as a result of improvements in technology and changes in call mix. Management's comments are included in Appendix B of this report.
Summary of Management's Comments	Management agreed with the recommendation. Management will continue to notify the Board of Governors of the cost avoidance as it is realized via the quarterly Investment Highlights report.
Evaluation of Management's Comments	Management's comments meet the intent of the recommendation.

INTRODUCTION

Background

Prior to the Corporate Call Management program it was difficult for Postal Service customers to receive easy, reliable information over the telephone. Customers' phone calls often went unanswered and information was inconsistent and unreliable. In addition, the Postal Service was funding a variety of stand-alone programs both at the national and field levels, which only partially met customers' needs.

The goal of the Corporate Call Management program is to improve customer service and operating efficiency through establishing an effective call-handling infrastructure. The Corporate Call Management infrastructure includes a network of integrated National Service Centers that offer Postal customers easy access to services and products anytime, anywhere via a single, 1-800 toll-free number. Service offerings handle customer inquiries for the package tracking system, Zip Code, rates, change of address, hours, location, complaints, suggestions, and general information.

The Corporate Call Management Deployment Decision Analysis Report included approximately \$227 million in capital and \$29 million in expense funding to establish a national network of six National Service Centers. Also, included in the Deployment Decision Analysis Report was \$3.4 billion in operating costs for ten years. In December 1996, the first National Service Center was established in Denver, Colorado. The second center began operations in Kansas City, Kansas in January 1999.

During the audit, the program office responded to the USPS Management Challenge by reducing its FY 1999 and 2000 operational budgets by \$53 million and \$82 million, respectively. Reductions were achieved by pursuing a slower implementation schedule and creating a less costly expansion strategy. By the end of FY 2000, the Corporate Call Management program will be serving 4,601 Postal facilities with 5,199 remaining to be connected during FY 2001 and 2002. Full program implementation should be completed during FY 2003 and will cover the ten Postal areas.

Objective, Scope, and Methodology

The overall objective of the audit was to determine whether the Corporate Call Management program was achieving program objectives and whether resources were being used economically and efficiently. This report is the first of two reports we plan to issue and only addresses the objective of whether resources were being used economically and efficiently.

To accomplish our objective, we reviewed documents and reports related to Corporate Call Management including cost and volume forecasts. We also interviewed USPS and contractor officials at USPS Headquarters and the Kansas City Service Center. We discussed our conclusions and observations with management officials and included their comments where appropriate.

The audit was conducted from May through September 1999 in accordance with generally accepted government auditing standards. We reviewed internal controls related to Corporate Call Management to the extent we considered necessary under the circumstances.

AUDIT RESULTS

Call Volume

Call volume projected for the deployment phase of Corporate Call Management program was less than anticipated. Call volume data showed that agent-handled calls were expected to be 67 percent of the volume levels projected in the Decision Analysis Report after full implementation. Agent call volume was lower because of the assumption used to project the national call volume. In addition, technology has enabled the automation of many more calls further reducing the number of agent-handled calls. These improvements will result in about 78 million of the projected calls being satisfied through automation. As a result, there is a potential cost avoidance of \$962 million (see Appendix A) for the deployment phase of Corporate Call Management.¹

Call Volume Projections

Call volume statistics in the Corporate Call Management program office showed that agents would handle about 39 million calls in FY 1999. Agent-handled calls were projected as 200 million calls per year in the Deployment Decision Analysis Report dated, May 19, 1998. Agent call volume was lower because of the assumption used to project the call volume to the national population. Annual call volume projections in the Deployment Decision Analysis Report were based on an extrapolation of calls received to the population served using call data from a local USPS call center in Phoenix, Arizona. The Phoenix Customer Service Center was selected because they had years of historical call data and because the Project Team said it would provide the best call data for generating an accurate call volume model.

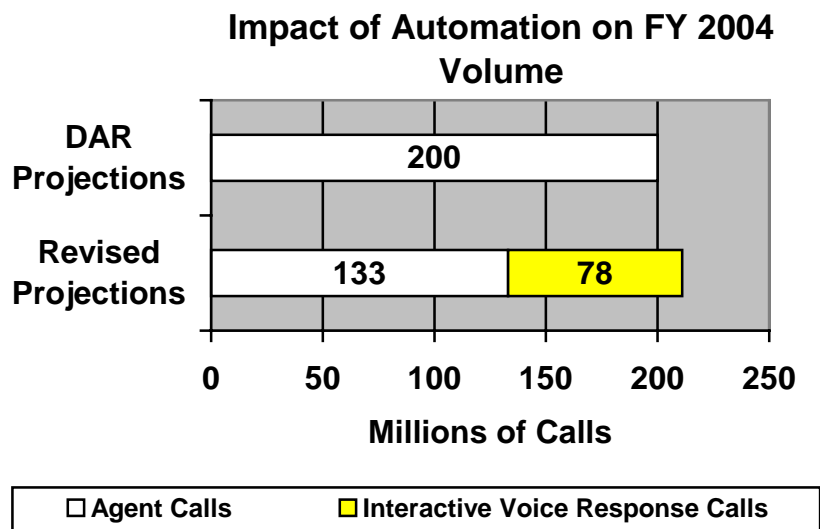
During the course of our audit, program officials agreed to make changes to the Corporate Call Management Deployment Decision Analysis Report model. Revised projections showed that agent-handled call volume would be about 133 million per year when the Corporate Call Network was fully implemented. Program officials said call volume data used in the Decision Analysis Report was not representative after comparing volume projections in the Decision Analysis Report to actual data from the Pacific Area. However, it was the best information available at the time.

¹ The deployment phase Decision Analysis Report extends through FY 2007.

Information Technology Improvements

New and improved information technology will increase the number of customer calls satisfied through automation. Information technology infrastructure upgrades for a premise base interactive voice response system, intelligent call routers, and computer telephony integration will increase the number of calls handled and closed through automation. As a result, talk time for customer service agents and network cost will be reduced.

Interactive voice response technology allows a caller to access information from an organization's database using a touch-tone phone or verbally, without the intervention of a call agent. The program office projects that call volume resolved by interactive voice response technology will grow from 10 million in FY 1999 to 78 million calls in FY 2004. Marginal cost for an interactive voice response call is \$.10 per call verses \$.93 for an agent-handled call. As a result, the program office is in the process of purchasing their own interactive voice response systems for National Service Centers in Kansas City and Denver and Information Technology Offices in Raleigh.



The program office deployed an intelligent call router during the course of the audit. Intelligent call routers enable multiple call centers to function as a virtual center. Call routers monitor the volume at each center and make routing decisions based on predetermined parameters. In addition, call router software can create a computer telephony that integrates agent workstations to the Internet, automatic call distributors, interactive voice response systems, and databases.

Recommendation	The Vice President, Core Business Marketing, should notify the Board of Governors of a potential cost avoidance of \$962 million as a result of improvements in technology and changes in call mix.
Summary of Management's Comments	Management agrees with the recommendation. As highlighted in this audit report, based on a more automated environment and coupled with Management's decision to revise the program's implementation plan, there is a potential for significant program cost avoidance estimated at \$962 million through 2007. Management will continue to notify the Board of Governors of these reductions as they are realized via the quarterly Investment Highlights report.
Evaluation of Management's Comments	Management's comments meet the intent of the recommendation.

Appendix A

<i>Corporate Call Management Updated Cost</i>				
<i>(numbers in thousands)</i>				
	<u>DAR Total</u>	<u>Updated Total</u>		<u>Variance</u>
<u>Capital Investment</u>	DAR Total	Updated Total		Variance
<i>Building Improvements</i>	\$ 2,738	\$ 2,738	\$	-
<i>Admin. & General Equipmen</i>	1,271	\$ 1,271		-
<i>ADP equipment</i>	202,161	\$ 106,646		95,515
<i>Contingency</i>	20,618	\$ 8,786		11,832
<i>Subtotal</i>	\$ 226,788	\$ 119,441	\$	107,347
<u>Expense Investment</u>				
<i>Services and Maintenance</i>	\$ 26,343	\$ 41,568	\$	(15,225)
<i>Contingency</i>	2,632	\$ 4,156		(1,524)
<i>Subtotal</i>	\$ 28,975	\$ 45,724	\$	(16,749)
<u>Operating Variance</u>				
<i>Labor</i>	\$ 123,635	\$ 71,124	\$	52,511
<i>Supplies</i>	18,390	8,481		9,909
<i>Furniture</i>	1,179	1,147		32
<i>Service & Maint.</i>	42,939	188,378		(145,439)
<i>Contractual Service</i>	2,185,941	1,766,992		418,949
<i>Rent</i>	19,647	13,578		6,069
<i>Travel</i>	15,445	5,714		9,731
<i>Advertising</i>	208,684	208,684		-
<i>Utilities</i>	4,019	1,740		2,279
<i>Communications</i>	766,583	248,847		517,736
<i>Subtotal</i>	\$ 3,386,462	\$ 2,514,685	\$	871,777
<u>TOTALS</u>	\$ 3,642,225	\$ 2,679,850	\$	962,375

CORE BUSINESS MARKETING



September 10, 1999


RICHARD F. CHAMBERS

SUBJECT: Transmittal of Draft Audit Report: Corporate Call Management
(Report No. DA-AR-99-Draft)

As a result of recent management responsibility changes initiated by Allen Kane, Chief Marketing Officer and Senior Vice President, Marketing, the Corporate Call Management Program is now under the direction of Michele Denny, Manager, Marketing Technology and Channel Management.

Ms. Denny will be responding to the recommendations outlined in your August 30 letter.

Should you have any questions, please give me a call at (202) 268-2469.


Marshall F. Emery
Acting Vice President
Core Business Marketing

cc: Ms. Denny

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260

INFORMATION SYSTEMS

UNITED STATES
POSTAL SERVICE

September 24, 1999

RICHARD F. CHAMBERS

SUBJECT: Management's Response to the CCM IG Audit

The following responds to the draft audit report DA-AR-99, performed by the Office of the Inspector General on the Corporate Call Management (CCM) program.

Recommendation:

The Vice President, Core Business Marketing, should notify the Board of Governors of a potential cost avoidance of \$962 million as a result of improvements in technology and changes in call mix.

Response:

Management agrees with the recommendation. As highlighted in this audit report, based on a more automated environment and coupled with Management's decision to revise the program's implementation plan, there is a potential for significant program cost avoidance estimated at \$962 million through 2007.

Management will continue to notify the Board of Governors of these reductions as they are realized via the quarterly Investment Highlights report.

Sincerely,

A handwritten signature in cursive script that reads "Michele Denny".

Michele Denny
Manager, Marketing Technology and Channel Management

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-

**Major Contributors to
This Report**

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